3rd Quarter Financial Report

SASKATCHEWAN
The Hon. Eric Cline
Minister of Finance

UPDATE

Budget

2002-03

Financial OVERVIEW

To the end of the third quarter of 2002-03, the General Revenue Fund (GRF) balance before Fiscal Stabilization Fund (FSF) transfer is forecast to be down $28.3 million from Budget. The FSF transfer is up $28.4 million, yielding a balanced budget.

Total revenue is forecast to be up $64.4 million from Budget.

Revenue Reconciliation (in millions of dollars)	
Budget Estimate	**6,094.3**
Oil	+353.3
Individual Income Tax	+236.1
Corporate Income & Capital Tax	+88.3
Natural Gas	+35.3
Equalization	-650.3
Potash	-33.1
Other Miscellaneous Changes	+34.8
Total Change	+64.4
3rd Quarter Forecast	**6,158.7**

Operating spending is forecast to be up $92.7 million from Budget.

Operating Spending Reconciliation (in millions of dollars)	
Budget Estimate	**5,686.3**
Environment	+49.6
Agriculture, Food & Rural Rev.	+25.5
Teachers' Pensions & Benefits	+10.9
Health	+10.4
Corrections & Public Safety	+7.7
Industry & Resources	+6.0
Social Services	-7.6
Sask Water	-5.1
Centenary Fund	-5.0
Other Changes	+0.3
Total Change	+92.7
3rd Quarter Forecast	**5,779.0**

Interest costs are forecast to be unchanged from the Budget Estimate.

Government debt is forecast to be up $503.3 million from Budget – $20.4 million less than at mid-year.

Crown corporation debt is forecast to be up $101.4 million from Budget – $103.4 million more than at mid-year.

(Millions of Dollars)	Budget Estimate	Mid-Year Projection	Third Quarter Forecast	Change from Budget	Change from Mid-year
Revenue	6,094.3	6,076.8	6,158.7	64.4	81.9
Operating Spending	5,686.3	5,768.0	5,779.0	92.7	11.0
Operating Surplus	408.0	308.8	379.7	-28.3	70.9
Interest Costs	633.0	633.0	633.0	0.0	0.0
Balance before FSF Transfer	-225.0	-324.2	-253.3	-28.3	70.9
FSF Transfer	225.0	324.3	253.4	28.4	-70.9
Surplus	**0.0**	**0.1**	**0.1**	**0.1**	**0.0**

Revenue
UPDATE

At mid-year, provincial revenue was projected to be down $17.5 million from the 2002-03 Budget level, reflecting a $580.1 million increase in own-source revenue (primarily a $236.1 million increase in Individual Income Tax and a $298.0 million increase in oil revenue) offset by a $600.3 million decrease in Equalization payments.

To the end of the third quarter, provincial revenue is forecast to be up $81.9 million from the mid-year projection – an increase of $64.4 million from the Budget estimate.

Revenue Reconciliation (in millions of dollars)	
Mid-year Projection	**6,076.8**
Oil	+55.3
Corporation Income Tax	+50.0
Natural Gas	+24.1
Equalization	-50.0
Potash	-13.7
Other Changes	+16.2
Total Change	+81.9
3rd Quarter Forecast	**6,158.7**

Own-source revenue is forecast to be up $708.6 million from Budget – an increase of $128.5 million from mid-year.

Oil revenue is forecast to be $736.3 million – an increase of $353.3 million from Budget and an increase of $55.3 million from mid-year – primarily reflecting higher prices (average fiscal year WTI price in US dollars per barrel is currently forecast at $26.91, versus the mid-year projection of $25.87 and the Budget estimate of $20.50), combined with a smaller light-heavy differential and higher bonus bid revenue (which has increased from the Budget estimate of $40.0 million to the current projection of $99.2 million).

Corporation Income Tax revenue is forecast to be $169.4 million – an increase of $50.9 million from Budget and an increase of $50.0 million from mid-year, primarily reflecting 2001 preliminary assessment data and improvements in the federal forecasts of the national tax base.

Natural gas revenue is forecast to be $122.3 million – an increase of $35.3 million from Budget and an increase of $24.1 million from mid-year – primarily reflecting higher prices (average fiscal year price per gigajoule is currently forecast at $4.09, versus the mid-year projection of $3.51 and the Budget estimate of $2.89).

Equalization is forecast at a repayment of $119.6 million. Equalization receipts have been reduced $650.3 million from Budget – and $50.0 million from mid-year – reflecting the change in Corporation Income Tax.

Potash revenue is forecast to be $169.5 million – a decrease of $33.1 million from Budget and a decrease of $13.7 million from mid-year – primarily reflecting increased costs of production.

Individual Income Tax and Corporation Capital Tax remain at mid-year levels.

Expenditure
UPDATE

At mid-year, provincial expenditure was projected to be up $81.7 million from the 2002-03 Budget, primarily reflecting increased spending on forest fire management, assistance to livestock producers affected by drought and costs associated with the teachers' contract.

Three quarters of the way through the fiscal year, provincial spending is forecast to be up an additional $11.0 million from the mid-year projection – a total increase of $92.7 million from the Budget.

Operating Expenditure Reconciliation (in millions of dollars)	
Mid-Year Projection	**5,768.0**
Teacher's Pensions & Benefits	+10.0
Health	+6.2
Industry & Resources	+2.7
Environment	+2.7
Gov't Relations & Aborig. Affairs	+1.2
Learning	-12.4
Other Changes	+0.6
Total Change	+11.0
3rd Quarter Forecast	**5,779.0**

Interest costs are forecast to be on Budget, thus, the increase in total spending entirely reflects changes in operating spending.

Teachers' pensions and benefits are forecast to be up $10.9 million or 10.3% from Budget – an increase of $10.0 million from mid-year – primarily reflecting lower than expected investment returns.

Health is forecast to be up $10.4 million or 0.4% from Budget – an increase of $6.2 million from mid-year – primarily reflecting increased drug plan expenditures and collective bargaining costs, partially offset by savings realized by delay of projects.

Industry and Resources is forecast to be up $6.0 million or 6.9% from Budget – an increase of $2.7 million from mid-year – primarily reflecting increased funding for the Saskatchewan Opportunities Corporation, combined with the costs of the "Our Future is Wide Open" campaign and the Mining Royalty and Taxation Incentive Package.

Environment is forecast to be up $49.6 million or 37.9% from Budget – an increase of $2.7 million from mid-year – primarily reflecting a finalization of forest fire management costs.

Government Relations and Aboriginal Affairs is forecast to be $3.0 million or 1.7% up from Budget – an increase of $1.2 million from mid-year – primarily reflecting increased transfers under the First Nations gaming agreement due to higher forecast Saskatchewan Indian Gaming Authority net income.

Learning is forecast to be $2.8 million or 0.3% down from Budget – a reduction of $12.4 million from mid-year – primarily reflecting that a surplus has accumulated in the Student Aid Fund, which permits the Government to temporarily reduce its contribution to the Fund.

Debt

UPDATE

The debt of the General Revenue Fund consists of:

- Gross Debt – the amount of money owed to lenders; plus,
- Guaranteed Debt – the debt of the Crown Corporations and others that the province has promised to repay if they are unable to do so; less;
- Sinking Funds – the amount of money which has been set aside for the repayment of debt.

The Province borrows for government and Crown corporations. Crown corporations are responsible for the principal and interest payments on their debt. Crown corporation debt is incurred in the normal course of business, primarily for investment in infrastructure and business development initiatives, which provide revenue streams to service the debt.

At the end of the third quarter of 2002-03, total debt is forecast to be $12.0 billion – an increase of $604.7 million from the 2002-03 Budget estimate.

To the end of the third quarter, government debt is forecast to be $8.2 billion – an increase of $503.3 million from Budget, but a reduction of $20.4 million from mid-year – primarily reflecting funds withdrawn for crop insurance, the Fiscal Stabilization Fund, the Forest Fire Contingency Fund and an increase in guaranteed debt for the livestock drought loan program.

Government Debt Reconciliation (in millions of dollars)	
Budget Estimate	7,739.7
Funds withdrawn by:	
Sask. Crop Insurance Corp	+298.7
Fiscal Stabilization Fund	+28.4
Forest Fire Contingency Fund	+34.0
Other Funds	+43.8
Short-term Hog Loan Program	+21.0
Other Cash Requirements	+67.2
Livestock Drought Loan Program Guarantees	+10.2
Other Changes	+0.6
Total Change	+503.3
3rd Quarter Forecast	8,243.0

Crown corporation debt is forecast to be $3.8 billion – an increase of $101.4 million from Budget and an increase of $103.4 million from mid-year – primarily because SaskPower refinanced 2003-04 maturities in a low interest rate environment.

As at March 31 (Millions of Dollars)	**Budget Estimate**	**Mid-Year Projection**	**Third Quarter Forecast**	**Change from Budget**	**Change from Mid-year**
Crown Corporation Debt	3,654.4	3,652.4	3,755.8	101.4	103.4
Government Debt	7,739.7	8,263.4	8,243.0	503.3	-20.4
Total Debt	**11,394.1**	**11,915.8**	**11,998.8**	**604.7**	**83.0**

2002-03 Third Quarter Financial Report
Province of Saskatchewan
General Revenue Fund
Statement of Revenue

	Budget Estimate	Mid-Year Projection	3rd Quarter Forecast	Change from Budget	Change from Mid-Year
	(in Thousands of Dollars)				
Corporation Capital	$ 340,200	$ 377,600	$ 377,600	$ 37,400	$ 0
Corporation Income	118,500	119,400	169,400	50,900	50,000
Fuel	357,700	357,500	357,500	(200)	0
Individual Income	1,165,500	1,401,600	1,401,600	236,100	0
Sales	826,900	830,000	830,000	3,100	0
Tobacco	182,500	177,500	173,000	(9,500)	(4,500)
Other	66,200	72,100	72,100	5,900	0
Taxes	**$ 3,057,500**	**$ 3,335,700**	**$ 3,381,200**	**$ 323,700**	**$ 45,500**
Natural Gas	$ 87,000	$ 98,200	$ 122,300	$ 35,300	$ 24,100
Oil	383,000	681,000	736,300	353,300	55,300
Potash	202,600	183,200	169,500	(33,100)	(13,700)
Other	38,200	40,600	49,400	11,200	8,800
Non-Renewable Resources	**$ 710,800**	**$ 1,003,000**	**$ 1,077,500**	**$ 366,700**	**$ 74,500**
Crown Investments Corporation of Saskatchewan	$ 300,000	$ 300,000	$ 300,000	$ 0	$ 0
Saskatchewan Liquor and Gaming Authority	332,000	333,500	332,300	300	(1,200)
Other Enterprises and Funds	73,600	73,100	73,100	(500)	0
Transfers from Crown Entities	**$ 705,600**	**$ 706,600**	**$ 705,400**	**$ (200)**	**$ (1,200)**
Fines, Forfeits and Penalties	$ 13,700	$ 13,700	$ 12,900	$ (800)	$ (800)
Interest, Premium, Discount and Exchange	43,000	44,800	50,000	7,000	5,200
Motor Vehicle Fees	116,900	119,000	119,000	2,100	0
Other Licences and Permits	41,800	41,400	41,800	0	400
Sales, Services and Service Fees	68,300	69,600	72,400	4,100	2,800
Transfers from Other Governments	14,100	17,300	17,300	3,200	0
Other	21,200	21,900	24,000	2,800	2,100
Other Revenue	**$ 319,000**	**$ 327,700**	**$ 337,400**	**$ 18,400**	**$ 9,700**
Own-Source Revenue	**$ 4,792,900**	**$ 5,373,000**	**$ 5,501,500**	**$ 708,600**	**$ 128,500**
Canada Health and Social Transfer	$ 638,300	$ 638,300	$ 638,300	$ 0	$ 0
Equalization Payments	530,700	(69,600)	(119,600)	(650,300)	(50,000)
Other	132,400	135,100	138,500	6,100	3,400
Transfers from the Government of Canada	**$ 1,301,400**	**$ 703,800**	**$ 657,200**	**$ (644,200)**	**$ (46,600)**
Revenue	**$ 6,094,300**	**$ 6,076,800**	**$ 6,158,700**	**$ 64,400**	**$ 81,900**

2002-03 Third Quarter Financial Report
Province of Saskatchewan
General Revenue Fund
Statement of Expenditure

	2002-03 Appropriation*	Mid-Year Projection	3rd Quarter Forecast	Change from Appropriation	Change from Mid-Year
	(in Thousands of Dollars)				
Executive Branch of Government					
Agriculture, Food and Rural Revitalization	$ 291,665	$ 317,192	$ 317,192	$ 25,527	$ 0
Centenary Fund	29,500	24,500	24,500	(5,000)	0
Corrections and Public Safety	108,543	111,736	116,292	7,749	4,556
Culture, Youth and Recreation	42,888	42,358	42,358	(530)	0
Environment	130,876	177,766	180,482	49,606	2,716
Executive Council	7,436	7,211	7,211	(225)	0
Finance	38,572	38,048	38,048	(524)	0
- Public Service Pensions and Benefits	188,713	188,713	188,713	0	0
Government Relations and Aboriginal Affairs	173,600	175,396	176,584	2,984	1,188
Health	2,342,416	2,346,617	2,352,827	10,411	6,210
Highways and Transportation	292,900	292,900	292,900	0	0
Industry and Resources	87,107	90,390	93,062	5,955	2,672
Justice	184,206	185,601	185,216	1,010	(385)
Labour	13,834	13,817	13,817	(17)	0
Learning	969,176	978,775	966,377	(2,799)	(12,398)
- Teachers' Pensions and Benefits	105,398	106,306	116,306	10,908	10,000
Public Service Commission	8,614	8,554	8,554	(60)	0
Sask. Property Management Corporation	21,613	21,833	21,833	220	0
Sask. Water Corporation	7,747	2,650	2,650	(5,097)	0
Social Services	614,314	610,364	606,718	(7,596)	(3,646)
Legislative Branch of Government					
Chief Electoral Officer	811	961	961	150	0
Conflict of Interest Commissioner	122	122	122	0	0
Information and Privacy Commissioner	105	136	136	31	0
Legislative Assembly	17,721	17,721	17,721	0	0
Ombudsman and Children's Advocate	2,651	2,651	2,651	0	0
Provincial Auditor	5,727	5,727	5,727	0	0
Total Operating Expenditure	**$ 5,686,255**	**$ 5,768,045**	**$ 5,778,958**	**$ 92,703**	**$ 10,913**
Interest on the Public Debt	633,000	633,000	633,000	0	0
Total Expenditure	**$ 6,319,255**	**$ 6,401,045**	**$ 6,411,958**	**$ 92,703**	**$ 10,913**

* The amounts in *The Appropriation Act, 2002 (No.4)* differed from the 2002-03 Estimates for Health and Highways and Transportation.

The Appropriation Act, 2002 (No.4) reduced the Estimate for Highways and Transportation by $7.4 million and increased the Estimate for Health by $7.4 million.

2002-03 Third Quarter Financial Report
Province of Saskatchewan
General Revenue Fund
Statement of Debt

	Budget Estimate	Mid-Year Projection	3rd Quarter Forecast	Change from Budget	Change from Mid-Year
		(in Thousands of Dollars)			
Gross Debt					
Crown Corporation Debt					
Agricultural Credit Corporation of Saskatchewan	$ 28,351	$ 27,717	$ 27,717	$ (634)	$ -
Crown Investments Corporation of Saskatchewan	40,419	39,805	20,919	(19,500)	(18,886)
Education Infrastructure Financing Corporation	85,749	52,000	52,000	(33,749)	-
Information Services Corporation of Saskatchewan	61,336	63,750	64,036	2,700	286
Municipal Financing Corporation of Saskatchewan	13,391	13,391	13,391	-	-
Saskatchewan Crop Insurance Corporation	-	62,842	113,436	113,436	50,594
Saskatchewan Housing Corporation	110,504	111,004	111,004	500	-
Saskatchewan Opportunities Corporation	165,701	158,601	149,701	(16,000)	(8,900)
Saskatchewan Power Corporation	1,928,964	2,007,664	2,107,664	178,700	100,000
Saskatchewan Property Management Corporation	5,500	5,500	5,500	-	-
Saskatchewan Telecommunications Holding Corporation	558,062	480,262	463,462	(94,600)	(16,800)
Saskatchewan Water Corporation	52,373	50,473	48,073	(4,300)	(2,400)
SaskEnergy Incorporated	762,186	746,186	746,186	(16,000)	-
Crown Corporation Debt	$ 3,812,536	$ 3,819,195	$ 3,923,089	$ 110,553	$ 103,894
Government Debt	8,267,070	8,750,860	8,750,860	483,790	-
Gross Debt	$ 12,079,606	$ 12,570,055	$ 12,673,949	$ 594,343	$ 103,894
Guaranteed Debt					-
Crown Corporations	$ 30,073	$ 31,071	$ 30,525	$ 452	$ (546)
Other	176,182	212,536	192,136	15,954	(20,400)
Guaranteed Debt	$ 206,255	$ 243,607	$ 222,661	$ 16,406	$ (20,946)
Equity in Sinking Funds					-
Crown Corporations	$ 188,174	$ 197,817	$ 197,817	$ 9,643	-
Government	703,558	700,038	700,038	(3,520)	-
Equity in Sinking Funds	$ 891,732	$ 897,855	$ 897,855	$ 6,123	$ -
Total Debt	**$ 11,394,129**	**$ 11,915,807**	**$ 11,998,755**	**$ 604,626**	**$ 82,948**
					-
Crown Corporation Debt	$ 3,654,435	$ 3,652,449	$ 3,755,797	$ 101,362	$ 103,348
Government Debt	7,739,694	8,263,358	8,242,958	503,264	(20,400)
Total Debt	**$ 11,394,129**	**$ 11,915,807**	**$ 11,998,755**	**$ 604,626**	**$ 82,948**